

SHANKS CAPITAL INVESTMENT LIMITED

Registered Number 04391813

REPORT AND FINANCIAL STATEMENTS

PERIOD ENDED 31 MARCH 2003



SHANKS CAPITAL INVESTMENT LIMITED

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SHANKS CAPITAL INVESTMENT LIMITED

Directors report

The Directors present their first Annual Report and the financial statements for the period ended 31 March 2003.

Principal activities, business review and future prospects

The company was incorporated on 11 March 2002 with an initial share capital of £1. The whole of the share capital of the company was acquired on 18 March 2002 by Shanks Group plc. On 26 March 2002, the company issued 3,639,195 ordinary shares of £1 each at par to Shanks Group plc. Also on 26 March 2002, the company purchased 3,639,195 7.5% Fixed Dividend Redeemable Preference Shares in Shanks & McEwan (Environmental Services) Limited. The principal activity of the company is to hold investments in Shanks Group plc subsidiary companies.

Trading results and dividend

The profit for the period is shown on page 4 of these financial statements. The directors do not recommend that a dividend be paid in respect of the period ended 31 March 2003. The retained profit transferred to reserves for the period was £276,679.

Directors

The directors who held office during the period were as follows:

Instant Companies Limited (appointed on incorporation 11 March 2002, resigned 11 March 2002)
MCE Averill (appointed 11 March 2002)
DJ Downes (appointed 11 March 2002)

Directors' interests

None of the directors had a direct interest in the share capital of the Company. Messrs MCE Averill and DJ Downes are directors of Shanks Group plc and their interests in that company's share capital are disclosed in that company's report and accounts. The directors had no interests in the shares of any other company in the Group.

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing those accounts the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

SHANKS CAPITAL INVESTMENT LIMITED

Directors report - continued

Statement of Directors' responsibilities (continued)

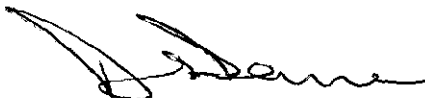
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

PricewaterhouseCoopers were appointed by the Directors as first auditors to the company following its formation. Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned as auditors on 30 January 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the Annual General Meeting.

By order of the board.



DJ Downes
Director

28 May 2003

Registered Office:

Astor House
Station Road
Bourne End
Bucks, SL8 5YP

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHANKS CAPITAL INVESTMENT LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet, and the related notes and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report.

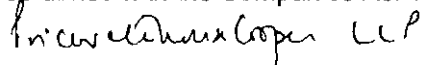
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 31 March 2003 and of the profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
28 May 2003

SHANKS CAPITAL INVESTMENT LIMITED
PROFIT AND LOSS ACCOUNT

For the period ended 31 March 2003

	Note	2003 £
Administrative expenses		-
		<hr/>
Operating result		-
Income from fixed asset investments	4	276,679
		<hr/>
Profit before and after tax and retained profit for the period	7	276,679
		<hr/> <hr/>

All of the above relates to continuing operating activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the period ended 31 March 2003

The Company has no recognised gains or losses other than the profit for the period.

The reconciliation of movement in shareholders' funds is set out in Note 8 to the financial statements.

SHANKS CAPITAL INVESTMENT LIMITED

BALANCE SHEET as at 31 March 2003

	Note	2003 £
Fixed assets		
Investments	4	3,639,195
Current assets		
Debtors	5	276,680
		<hr/>
Net assets		3,915,875
		<hr/>
Capital and reserves		
Share capital	6	3,639,196
Profit and loss account	7	276,679
		<hr/>
Equity shareholders' funds	8	3,915,875
		<hr/>

Approved by the Board on 28 May 2003



DJ Downes
Director

SHANKS CAPITAL INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 March 2003

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK Accounting Standards.

Investments

Investments are shown at cost including fees relating to acquisition. The Directors review the carrying value of investments for any impairment of value.

2 Company status

Audit costs have been borne by the ultimate holding company. There were no employees of the Company in the period. The Directors were not remunerated for their services to the Company, neither did the Directors accrue any retirement benefits in respect of service to the Company.

3 Taxation

The tax charge is made up as follows:

	2003
	£
Based on the profit for the period:	
Corporation tax at 30%	-

The tax assessed for the period is lower than the United Kingdom standard rate of corporation tax of 30%. The differences are explained below:

	2003
	£
Profit on ordinary activities before taxation	276,679
Tax charge based on UK tax rate	83,004
Tax effect of the following items:	
Adjustment in respect of investment income	(83,004)
Corporation tax charge for the period	-

SHANKS CAPITAL INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 March 2003
(continued)

4 Investments

Non-equity investment in fellow group undertakings at cost:

	2003 £
Additions in the period	3,639,195
As at 31 March 2003	<u>3,639,195</u>

At 31 March 2003 the following non-equity investment was held by the Company:

	Registered in	Proportion of shares held	Type of share	Type of business
Shanks & McEwan (Environmental Services) Limited	England	100%	Fixed Dividend Redeemable Preference Shares	Finance

The company received a fixed dividend from the redeemable preference shares of £276,679 being 7.5p per share.

The balance sheet value of investments held represents the purchase consideration and associated costs for the purchase of these shares. In the opinion of the Directors the value of investments is not less than the aggregate amounts at which they are shown in the balance sheet.

5 Debtors

	2003 £
Amounts due from fellow group undertakings	276,679
Amounts due from parent company	1
	<u>276,680</u>

SHANKS CAPITAL INVESTMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 March 2003
(continued)****6 Share Capital**

	2003 £
Authorised:	
10,000,000 Ordinary Shares of £1 each	10,000,000
	<hr/>
Allotted, called up and fully paid:	
Initial share capital on incorporation: 1 Ordinary Share of £1 each	1
Shares issued in the period: 3,639,195 Ordinary Shares of £1 each	3,639,195
	<hr/>
At 31 March 2003: 3,639,196 Ordinary Shares of £1 each	3,639,196
	<hr/>

7 Reserves

	Profit and loss account £
Retained profit for the period	276,679
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At 31 March 2003	276,679
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8 Reconciliation of movement in shareholders' funds

	2003 £
Retained profit for the period	276,679
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Net movement in equity shareholders' funds	276,679
Initial share capital on incorporation	1
Shares issued in the period	3,639,195
	<hr/>
Closing equity shareholders' funds	3,915,875
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SHANKS CAPITAL INVESTMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 March 2003
(continued)**

9 Contingent liabilities

The Company has granted to its bankers an unlimited guarantee and a right of set off against amounts outstanding on advances to its parent and fellow subsidiary undertakings.

10 Related party transactions

As permitted by FRS8, the Company, being a wholly owned subsidiary of another company which prepares a statement of related party transactions including that of this Company, has not prepared such a statement itself.

11 Cash flow statement

As permitted by paragraph 8(c) of FRS1 (revised 1996), the Company, being a wholly owned subsidiary of another company which prepares a cash flow statement including that of this Company, has not prepared such a statement itself.

12 Immediate & ultimate parent company

The immediate and ultimate parent company is Shanks Group plc, a company registered in Scotland. Copies of the group accounts may be obtained from the Company Secretary, Shanks Group plc, Astor House, Station Road, Bourne End, Buckinghamshire, SL8 5YP.